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Oil: Let the Soviets Hurt . . .

Vice President George Bush, pleading for stability in the marketplace, complains that the oil price collapse has hurt the American oil industry, "which indeed is vital for our own national security." But he here ignores another vital national security interest, one having to do with the Soviet Union. In this dimension, the collapse cannot go far and long enough.

The Soviet Union is one of the big oil exporters, and oil exports have made up some 60 percent or more of its hard-currency earnings. The rule of thumb is that it loses half a billion dollars for every dollar's drop in the price of a barrel of oil. That's not in rubles, mind you, but in real money.

Sometimes people say that dogma is the cutting edge of Soviet foreign policy. Wrong. Dollars are the cutting edge. Dollars buy the foreign high tech that serves the front line of Soviet economic progress, including the part of it devoted to the military. Dollars finance much of Moscow's adventurism, subversion and—as the spy revelations of the last year have reminded us—espionage abroad.

In short, the "free fall" of oil prices that Bush laments is in the Soviet dimension a boon to American policy. It adds a new cost to the extension and expansion of Soviet power.

It will toughen the Kremlin's guns-vs.-butter choices at the sensitive international moment when Reagan is pressing the Soviet Union hard, at the sensitive economic moment when investment capital as well as high technology is in short supply, and at the sensitive political moment when a new leadership is promising to move the country into a new era.

Of course, things are complicated; they don't go all one way. The United States cannot give itself over to luxuriating in the Kremlin's discomfort. Other domestic and international parties, in whose good health Americans have a strong interest, are also being squeezed. The Soviets are probably a good deal better able than some of the others, such as the Mexicans and other friendly oil exporters, to ride out the cycle.

While oil prices remain low, however, some new possibilities arise in dealing with the Soviet Union. It is not a question of pouncing on a unique opportunity for tactical exploitation, or of finding confirmation for a favorite theory of the American right which holds that Moscow's economic vulnerabilities render it politically vulnerable too. The Soviet system has an evident stability to it, or at least an evident capacity to muddle through, partly by laying off costs on the citizenry. It cannot be dictated to or rudely pushed around.

Still, it can be carefully crowded. The Soviet Union, like the United States, takes an increasingly large part in the international economy. Some of the East-West economic transactions that will take place over the next few years are bound to reflect the new market conditions adverse to it.

The Soviets will not have the same hard currency to spend, and they will need to borrow more to keep up imports. The Soviet industrial plant is hungry for the products of the West, especially as the politicians promise a new takeoff. Soviet agriculture remains a great sinkhole, and the new leaders will hesitate to stint on compensating grain imports, which are not only expensive but also essential to keep the diet—to Soviet citizens, still perhaps the prime index of their standard of living—from unduly deteriorating.

The Kremlin can and probably will squeeze further the client economies of Eastern Europe, perhaps by forcing them to buy Soviet oil at the older, higher prices—not a cost-free exercise. It may make Moscow think a bit harder about taking on new dependencies—Nicaragua, for instance.

To make up the hard-currency shortfall, Moscow could sell more gold, but that would drive down the price of gold.

West Europe and Japan, meanwhile, have just received a sudden oil bonus worth hundreds of billions of dollars a year; it will last, let us say, for a while. These countries are not going to be under the same domestic pressures to sell high tech and provide credit to Moscow at the same market rates—that is, loosely—as in the past.

It would be amusing, if it were not shortsighted, to find a conservative anticommunist administration falling over itself in concern for domestic producers and failing to take full account of a major political windfall. It will take some hard thinking to make the most of these newly available comforts. To judge by George Bush's remarks, the administration has yet to complete this job.